

quote Professor and Mrs. Richard Ruggles' 1958 study paper for the Joint Economic Committee.

If the population's participation in government is growing, so is the government budget problem. In the United States, the Federal Government's operating funds are obtained each year through Congress voting appropriations bills. According to Prof. Arthur Smithies, in his *Budgetary Process in the United States*, "the appropriations process serves the dual purpose of reviewing the past and of programming for the future, and is * * * satisfactory in neither respect." To remedy this, Professor Smithies would divide the process into two parts: a performance review, to "focus attention on economy and efficiency," and a program review, "related to policy objectives."

The actual trend of efficiency, or "productivity," of the governmental part of the economy of either a developed or underdeveloped nation is, therefore, becoming more and more important for society to know. It is also the first in a series of questions one must answer in trying to discover how wisely a nation's tax receipts are being spent, and how efficiently the funds for governmental salaries are being put to use. What the problems provoked by these matters (and their possible solutions) might be will be discussed below. The writer will first give the results of an exploratory study he made of the recent trends of "productivity" in this field. For "productivity," the simplest definition—production per capita (or output per man)—was used in this study.

It was decided to investigate what might have been done in the past on government productivity trends. In the United States, a basic analysis of the Post Office's productivity trend had been made by Dr. Witt Bowden of the Department of Labor, in 1932. Many more recent "work-measurement" systems were found, in various other agencies, comparing the aggregate production of groups of workers with their standard-performance rates—but they used no "common language." No other information on year-by-year trends reflecting the productivity of the combined personnel of any other agency, or indeed of any bureau within any other agency, was discovered, except for almost complete data for parts of two smaller bureaus over most of the post-World War II period.

The writer then saw that he could complete the latter data, modernize the Post Office study, and perhaps add other bureaus and agencies to this nucleus. There are altogether some 11 million persons in governmental work—including uniformed defense forces and civilians in the Defense Department. Of this total about half are in Federal and about half in State and local work. However, the nonmilitary Federal area would be a good enough subject for this first study. In the end, the writer succeeded in getting data on five agencies in this field which employed 793,000 persons within the continental United States in 1958. This was a two-thirds sample of the 1,183,000 total of employment by all Federal civilian agencies in the same territory and year.

This sample included all 539,000 Post Office Department personnel, all 171,000 Veterans' Administration employees, 51,000 of the 75,000-man Treasury Department staff (representing the tax-collection bureau), 24,000 of the 54,000 Health, Education, and Welfare Department workers (in the social security bureaus), and 7,500 (farm-benefits bureau) members of the 91,500-strong Agriculture Department staff.

After exhaustive investigations, the writer found this: The productivity of the average Government agency in this sample increased on the average about 1½ percent a year for the 11 fiscal years from 1947 to 1958. The variations from agency to agency (and within agencies) reflected differences in the nature, complexion, and novelty of the work

done, degree of mechanization, etc. (See table 1.) On account of the 1958 American recession, the average annual productivity increase was 1.8 percent for the first 10 fiscal years. (See table 2.) If veterans hospitals are omitted, the rest of the sample becomes more similar to private industry. The productivity gain of the rest of the sample was 2.15 percent for the first 10 fiscal years, while that for the entire private economy (using figures by Dr. John W. Kendrick, of the National Bureau of Economic Research) was 3.1 percent for the same 10 calendar years. Government productivity appears to have risen two-thirds as fast as its private economy counterpart.

On the other hand, the investigation of veterans hospital productivity had led to the study of American hospital and medical care as a whole. All comments and findings by authorities suggested that fields such as these often may show no gain—or even show losses—in productivity trends (considered as trends in quantity of work per capita), but without doubt often would show very large improvements in quality, or value of service given, if the latter could be measured on some numerical scale.

The method followed was essentially this: To find out the few major things done in each agency or bureau which were recognized as important enough to be recorded down through the years (there were 17 such in the postal service), and express them in terms of the single most important of those things (the delivery of a parcel equals the delivery of six letters, for example). Then to divide the equalized work done (so many letters or equivalent letters, for example) each year by the number of employees on the payroll that year. The resulting number of equivalent items per man gives the productivity level for the year, from which the productivity change from year to year can be calculated.

It is now seen that we must qualify any answer to the question: "What is the trend of governmental productivity?" If, by "government," we mean that part which is like most services and paperwork operations in the private economy, then the answer is: "Upward, and apparently similar to that of its commercial counterpart." If however, by "government," we mean public hospitals and other quality endeavors (education, research, defense, possibly foreign relations), the answer would be: "Negligible or downward, and apparently similar to whatever are its private-enterprise counterparts." (Prof. Werner Z. Hirsch reported a negligible public-education productivity trend in his 1959 study paper for the Joint Economic Committee.) Also, the quality trend in these cases would also have to be made a part of the answer.

Such productivity-trend studies should be made for every major Federal agency, bureau, and bureau activity, and similarly for all levels of State and local government, so that economists, managers, and the public could be informed.

To attack a second, broader question, "How wisely are tax receipts being spent?" one should note that the Federal cash budget expenditures (incorporating insurance-fund withdrawals and postal salaries—usually excluded) are now about \$99 billion a year; and that while \$22 billion of this is for salaries, an even bigger sum of \$77 billion is for programs. The latter carry out a nation's policy objectives, and are administered by the recipients of the farmer. Perhaps a new approach is now possible to the astronomical program costs—the costs of armaments, supplies, goods, and services; of grants and subsidies to agriculture, veterans, welfare, etc.; and of transfers of money from social security and other funds to social security and other beneficiaries.

Why not divide up the program costs in the same patterns followed in dividing up

agency work into bureau work, and bureau work into activities work (for matching against employee numbers) in the productivity-analysis process? (It was not mentioned before, but the veterans agency was divided into hospital-bureau, pension-bureau, and life insurance-bureau work; and each of the latter can be further divided into up-to-a-dozen activities of work. The same thing has been done by the two smaller bureaus in the study assembling their own productivity data; and can provisionally be done for the main activities within the postal service and tax collection bureau, as well.) The separate productivity trends and salary costs of each activity, as well as of each bureau and agency, can presumably be measured throughout the Government. This would make available, for each activity, bureau, and agency: (a) its program costs, (b) its salary costs, and (c) its productivity trend. With an eye on all three of these things one should then be able intelligently to investigate each of the bits and pieces making up the \$77 billion—from an economic, sociological, engineering, and accounting standpoint. One could consider whether each produces useful and necessary economic and social values (relative to each other and to alternative spending or saving choices), or merely involves "digging out holes and filling them up again."

To approach a third question, "How well are salary moneys being used?" one can be reminded of two things:

1. As the Labor Department cautions, gains in production per man cannot be ascribed to any one factor, but reflect the interaction of all factors. In private enterprise currently, according to Dr. Solomon Fabricant, of the National Bureau of Economic Research, labor (manpower) supplies about four-fifths of total resources used, but capital (depreciation charges and interest on investment) supplies the other one-fifth. Although few measurements of the trends of total-resource productivity—the efficiency of labor and capital in combination—have been made, they would furnish the only accurate yardstick by which to compare governmental and private economy efficiency trends. (Additionally, in quality-dominant fields, quality trends would have to be compared.)

2. In any case, just knowing the productivity (and quality) trend does not necessarily tell us anything about the actual, absolute productivity (and quality) level. To know the latter would require studying exactly parallel operations in government and industry, by engineering-accounting—as well as by socioeconomic—means. Some activities may be quite similar. Legal, personnel, finance, office, claim processing, account servicing, message handling, building maintenance, etc., would seem to be. A comparison of such parallel operations could help tell whether government productivity has been running roughly even with private productivity since 1947, only because it started way behind and has no intention of catching up, or because it conceivably started even and still is in a neck-and-neck race with it.

TABLE 1.—1947–58 average productivity change of selected civilian agencies of the U.S. Federal Government

	Percent
Post Office Department.....	+1¼
Veterans' Administration.....	+1½
Hospitals, etc. ¹	—¾
Pensions, etc.....	+4
Life insurance, etc.....	+15½
Internal Revenue Service.....	+3½
Social Security Administration.....	+5
Commodity Stabilization Service....	+8
All 5 agencies.....	+1½

¹ Revised.

NOTE.—Data for first 3 or 4 years are missing for last 2 organizations.

TABLE 2.—Year-to-year productivity changes of 5 selected civilian agencies of the U.S. Federal Government, 1947–58

	Percent
1947 to 1948	+4¼
1948 to 1949	+¼
1949 to 1950	+1
1950 to 1951	+3½
1951 to 1952	+2¼
1952 to 1953	-1½
1953 to 1954	+2
1954 to 1955	+3
1955 to 1956	+1¼
1956 to 1957	+2
1957 to 1958	-1½
1947 to 1958	+1½

* Revised.

The Washington Star Endorses an Effective Bill To Deal With Employment of Retired Officers by Defense Contractors

EXTENSION OF REMARKS

OF

HON. F. EDWARD HÉBERT

OF LOUISIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 31, 1960

Mr. HÉBERT. Mr. Speaker, the influential Washington Star has joined the long list of newspapers in endorsing an effective bill to deal with the employment of retired officers by defense contractors. The Star, in its editorial March 20, entitled "A Question of Ethics," clearly points out that the bill on the subject reported out by the Committee on Armed Services is totally inadequate and will not reach the problem.

I thoroughly agree with the position of the Star, and, as is well known, I will introduce the proper effective legislation when the bill comes before the House next Wednesday for action by this body.

Everybody is familiar with the phrase: "When the man on the street wants to make a point or prove a point, he says: 'And furthermore, I read it in the Star.'" Here is the Star, read it there:

A QUESTION OF ETHICS

Recent hearings before the House Armed Services Committee showed clearly the need for an effective conflict-of-interest law applicable to retired officers of all the Armed Forces. The present hodgepodge of restrictions on postcareer employment of former officers is confusing, discriminatory and sometimes ineffective. We doubt, however, that the bill recently reported by the committee is strong enough to cope adequately with the "conflict" problem.

Under existing law, Navy and Marine Corps officers upon retirement are permanently prohibited from selling anything to the Navy—but not from selling to the Army or Air Force. Neither the Army nor the Air Force has any such rigid restriction—although a law, practically never enforced, according to a Senate subcommittee, makes it a crime for retired military officers to make sales to the Army (only) during the 2 years immediately following retirement.

The bill awaiting House action would permit retired officers of all the military services to sell or to aid or assist in the selling of anything to the Department of Defense or an Armed Force of the United States without criminal penalty, but would require forfeiture of their retired pay while so employed

during the 2 years after retirement. After the 2-year period there would be no loss of pay.

However, if Congress really intends to deal adequately with conflict-of-interest abuses—rare though they may be among retired officers—something stronger than the bill sent to the House ought to be enacted. We believe that most retired officers are men of integrity. As such they should be as eager as anyone else to avoid the appearance of evil. And we think it is an abuse of an officer's privileges for him to move overnight, or even within a 2-year period, from official duties involving, say, procurement of defense items to a private job requiring him to sell or assist in selling such items to the Government.

We hope, therefore, that the pending legislation will be strengthened on the floor so as to place a positive ban on such abuses during the 2 years following retirement.

A Vicious Inequity in Tax Structure

EXTENSION OF REMARKS

OF

HON. JAMES C. OLIVER

OF MAINE

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 31, 1960

Mr. OLIVER. Mr. Speaker, of the many existing distortions in the Social Security Act, the limitation on earnings is one of the most objectionable. The existing law, as is well recognized, in effect, dictates how long a recipient of social security income can work and how much he can earn without being penalized. By imposing this limitation on earnings, we are in effect encouraging the early retirement of workers who can contribute substantially to the welfare of our society.

The injustice is further compounded since this limitation is only imposed on earned income, not on income received from dividends, interest, and rent. This provision runs counter to the American system of free enterprise in that it practices and compels discrimination. If our economy is to grow, we must encourage full employment of our human resources. Certainly, nobody believes that we should tolerate the damaging effect of laws which slow down progress and expansion of our national product.

In further reference to this issue, the comments of the distinguished columnist, Inez Robb, which appeared in the Washington Daily News of March 30, 1960, are most pertinent and valuable:

A VICIOUS INEQUITY IN TAX STRUCTURE (By Inez Robb)

If a qualified jury were asked to choose the silliest law in the Federal tax structure, it would be hard put to select the really ultimate lulu.

However, I have a nomination: The majestic statute that now forbids anyone, between the ages of 65 and 72 and receiving social security, to earn in excess of \$1,200 annually. Any senior citizen with the git-up-and-go to earn in excess of \$1,200 is penalized by cuts in or loss of his social security benefits.

Now Senator CLINTON P. ANDERSON, Democrat, of New Mexico, former Secretary of Agriculture, has introduced a bill that would permit willing and able elders to earn \$2,000 annually before the penalties set in. Well,

I respect the Senator for trying to up the ante, but I wish he had tried for a touch-down instead of a place kick.

CRUEL, UNFAIR

It is not only silly but cruel and unfair to restrict the earning power of any free American citizen who is willing to roll up his sleeves and pitch in. It is a crazy infringement on the guaranteed liberties of the citizens to tell him what he can or can't earn, or how much he can work. Or to restrict him to a bare livelihood on the subsistence level that social security provides.

Social security is not a gift or a freewill offering of the Federal Government. Those who receive social security have, by law, contributed regularly to the fund, as have their employers. It represents part of the savings of the worker against old age and should be free of strings.

It is not only asinine but a waste of the Nation's skilled and experienced manpower to insist that the worker at age 65, who accepts social security, must for the next 7 years twiddle his thumbs. The Government graciously allows the oldster, after he reaches 72, to garner all the money he is capable of earning.

INEQUITY

Such restrictions on an American's right to earn not only plays ducks-and-drakes with his freedom, but there is a vicious inequity in the law. The Government is only interested in the earned income of oldsters between 65 and 72. The penalty is all on earned income; there is none on unearned income.

Thus, the retired citizen who has been able to save a fair share of his earned income during his working life and has an income, no matter what the amount, in addition to social security is not touched by these penalties.

As a result, the retired worker with an income of \$8,000 a year, in addition to social security benefits, suffers no penalties. Nor do I think he should perish forbid. It would be dastardly to penalize such a citizen.

But I am convinced it is even more dastardly to penalize the less fortunate man, whose earning power may never have been great at any time, by forbidding him to supplement his meager social security payments with as much as he is capable and willing to earn.

The "Dillon Era"

EXTENSION OF REMARKS

OF

HON. JOHN V. LINDSAY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 24, 1960

Mr. LINDSAY. Mr. Speaker, under leave to extend my remarks in the RECORD, I should like to call to the attention of my colleagues an excellent editorial which appeared in the New York Times on March 30:

THE "DILLON ERA"

Two separate groups are now meeting in Europe to consider plans for replacing the Marshall era of American aid to Europe with the "Dillon era" of American-European partnership in trade. The term "Dillon era" was coined by President Hallstein of the Administrative Commission of the European Economic Community in honor of American Under Secretary of State Douglas Dillon. It is intended to denote the new phase of Western economic development symbolized by the American plan presented by Mr. Dillon at an economic meeting in Paris in